

February 17, 2011

Re: Docket No. R—1404  
RIN No. 7100 AD63

Board of Governors of the Federal Reserve System  
Attn: Ms. Jennifer J. Johnson, Secretary  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Chairman Bernanke:

As a member of the Board of Directors of the Energy Capital Credit Union, I am writing concerning Docket No. R—1404 and RIN No. 7100 AD63, concerning proposed changes to Regulation E (Electronic Funds Transfer Act) as required under the Dodd-Frank Act.

The Energy Capital Credit Union is based in Houston, Texas. We have over 17,000 members and more than \$162 Million in total assets.

The proposal under Regulation E sets price controls for debit interchange transaction fees and regulates the routing of debit card transactions. Although credit unions under \$10 Billion are exempt from the fee cap, credit unions of all sizes will be disadvantaged and severely impacted by the regulation as proposed. As a result, we oppose the proposal and request that the Fed postpone implementation of these rules for the following reasons:

- Postponement of implementation of any final rule would permit time to fully research and study the proposed rule and its affect on consumers, payment card networks, merchants, and financial institutions such as credit unions, as well as the overall debit card electronic payments system.
- "Exemption" for credit unions under \$10 Billion is essentially ineffective without enforcement powers forcing payment card networks to offer a two-tier debit transaction interchange rate system for small and large issuers.
- If a two tier system is established, credit unions would be severely impacted if merchants are able to steer transaction processing to an electronic payment network of their choice; or if merchants are permitted to steer consumers away from credit union debit cards.



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- The 12 cent fee structure developed for large issuers is far too low and excludes a number of reasonable costs. The proposed fee cap does not take into consideration fraud prevention and data security costs.
- This proposal will have a direct impact on our credit union. We anticipate loss of income from the change which will have an effect on our members because the credit union will be forced to absorb data security and fraud costs.
- Concerning the routing method, we urge the Fed to adopt "Alternative A." This would require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN based network and an unaffiliated signature-based network. Alternative B would place an unreasonable regulatory burden on the credit union.

In conclusion, credit unions of all sizes will be disadvantaged and severely impacted by the regulation as proposed. As a result, we strongly oppose the proposal and request that the Fed postpone implementation of any version of these rules.

Sincerely,

A handwritten signature in blue ink that reads "Charles C. Smith" with a small "RO" written to the right.

Charles C. Smith  
Member  
Board of Directors

c: Ms. Suzanne Yashewski, Sr VP  
Regulatory Compliance  
Texas Credit Union League